

Chapter 04 Oil Field Services

100 General

- 101 Pursuant to Miss. Code Ann. Section 27-65-23, every person engaging in the business of performing services in connection with geophysical surveying, exploring, developing, drilling, producing, distributing or testing of oil, gas, water and other mineral resources is liable for the regular retail rate of tax on gross income received, except as otherwise provided. These activities are commonly referred to as oilfield services.
- 102 Oilfield services include services performed by persons acting as operators or managers in connection with developing, producing or distributing mineral resources. Where the operator owns an interest in a well under his management, he is liable for tax on the gross income received from the other owners. An owner/operator may receive reimbursements of expenses from the other owners as part of his management or operation of the well. This is referred to as joint interest billing and is part of providing oil field services.
- 103 Owners who do not participate in the operation or management of the well or who are not otherwise performing oilfield services, but who get reimbursed by the other owners for expenses, are not liable for sales tax as an oilfield service provider. The owner is treated as an agent for the other interest owners if no oilfield services are provided.
- 104 Consultants, supervisors and engineers whose presence is required at the well site or inside the oil field on a permanent or continuing basis are considered to be engaged in an oil field service and are liable for sales tax.

105 (Reserved)

200 Gross Income

- 201 "Gross income" means the total charge or the total receipts (actual or accrued) derived from an oilfield service business activity without any deduction for the costs of materials used, labor costs, interest paid, losses or any expenses. Gross income also includes the cost of property given as compensation when the property is consumed by a person performing a taxable service for the donor.
- 202 Any business that performs taxable services incurs business expenses that, of necessity, must be recovered through charges for its services. Such expenses include meals and lodging for employees, mileage or other transportation, equipment rental and supplies such as chemicals, swab cups and explosives that are used or consumed in the performance of services. The term "gross income" includes charges made for recovery of these expenses and are taxable irrespective of the fact that they may be itemized or that the goods or services have borne a retail tax at the time of purchase.
- 203 Charges for transportation outside an oil or gas field in connection with rigging up or rigging down are not includable in taxable receipts for oilfield service providers.

Companies that rig up or down a derrick in connection with hauling said derrick are deemed to be in the transportation business and are subject to tax only on the portion of the service performed in the oil or gas field. Transportation from one location in a field to another location in the same field is considered an oil field service taxable at the regular retail rate of sales tax.

- 204 Gross income from gathering and interpreting data within and without this State may be apportioned between the states if adequate records are maintained.
- 205 The only compensation that may be deducted from the gross income is that compensation that has previously borne a tax under Miss. Code Ann. Section 27-65-23 as compensation for an oilfield service. Since the purchase is by one oilfield service provider from another, this represents a purchase for resale and should not be taxed twice. Owner/operators who rebill any oilfield service must pay the tax to the oilfield service vendor providing the service; otherwise, the owner/operator would be purchasing his own share of the service, which is not for resale, without paying the tax due.
- 206 Adequate records must be maintained to substantiate deductions from gross income.
- 207 (Reserved)
- 300 Equipment
- 301 Equipment purchases or rentals and purchases of supplies are taxable at the regular retail rate of sales or use tax.
- 302 Manufactured or produced products withdrawn for use or consumption are taxable at the regular retail rate of tax, measured by the cost or value when converted to use. In no instance shall value be less than the selling price of similar products.
- 303 (Reserved)

Chapter 04 Oil Field Services

100 Levy General

1010 Pursuant to Miss. Code Ann. Section 27-65-23, there is a tax equal to the regular retail rate of tax upon Every person engaging in the business of performing services in connection with geophysical surveying, exploring, developing, drilling, producing, distributing or testing of oil, gas, water and other mineral resources is liable for the regular retail rate of tax on gross income received, except as otherwise provided. These activities are commonly referred to as oilfield services.

102 Oilfield services This includes services performed by persons acting as operators or performing management's services for a fee in connection with developing, producing or distributing mineral resources. Where the operator owns an interest in a well under his management, he is liable for tax on compensation the gross income received from the other owners. An owner/operator may receive reimbursements of expenses from the other owners as part of his management or operation of the well. This is referred to as joint interest billing and is part of providing oil field services.

103 Owners who do not participate in the operation or management of the well or who are not otherwise performing oilfield services, but who get reimbursed by the other owners for expenses, are not liable for sales tax as an oilfield service provider. The owner is treated as an agent for the other interest owners if no oilfield services are provided.

104 Consultants, supervisors and engineers whose presence is required at the well site or inside the oil field on a permanent or continuing basis are considered to be engaged in an oil field service and are liable for sales tax. Where the operator owns an interest in a well under his management, he is liable for tax on compensation received from the other owners.

105 Services such as salt water disposal, but not limited thereto, are considered oil field services taxable at the regular retail rate of sales tax on the gross income received from such service.

10654 (Reserved)

200 Gross Income

2010 "Gross income" means the total charge or the total receipts (actual or accrued) derived from an oilfield service business activity without any deduction for the costs of materials used, labor costs, interest paid, losses or any expenses whatever. Gross income also includes the cost of property given as compensation when the property is consumed by a person performing a taxable service for the donor.

202 Any business which that performs taxable services incurs business expenses which that, of necessity, must be recovered through charges for its services. Such expenses include meals and lodging for employees, mileage or other transportation, equipment rental and supplies such as chemicals, swab cups and explosives which that are used or consumed in the performance of services. The term "gross income" includes charges made for recovery of these expenses and are taxable irrespective of the fact that they may be itemized or that the goods or services have borne a retail tax at the time of purchase.

~~203~~⁴ Charges for transportation, outside an oil or gas field, in connection with rigging up or rigging down are not includable in taxable receipts for oilfield service providers. Companies which that rig up or down a derrick in connection with hauling said derrick are deemed to be in the transportation business and are subject to tax only on the portion of the service performed in the oil or gas field. Transportation from one location in a field to another location in the same field is considered an oil field service taxable at the regular retail rate of sales tax.

~~202~~ ~~Services such as salt water disposal, but not limited thereto, are considered oil field services taxable at the regular retail rate of sales tax on the gross income received from such service. Any transportation charges in connection with such services are considered an expense of performing the service and are not excludable from gross income.~~

~~204~~³ "Gross income" from gathering and interpreting data within and without this State may be apportioned between the states if adequate records are maintained.

~~"Gross income" does not include receipts which constitute reimbursement by clients for cost of easements to cross or enter land of property owners for property damage payments. In addition to services ordinarily rendered, the operator of a management company may also act as agent for well owners in arranging for other services. In such cases, the operator is not liable for tax on receipts which represent rebilling to the owners of payments made to vendors by the operator for property purchased and services performed for owners on which the regular retail rate of tax has been paid to the vendors.~~

~~205~~⁴ The only compensation that may be deducted from the tax-levy gross income is that gross income compensation which that has previously borne a tax under Miss. Code Ann. Section 27-65-23 as compensation for an oilfield service. Since the purchase is from by one oilfield service provider to from another, this represents a purchase for resale and should not be taxed twice. For owner/operators that who will be rebilling any oilfield service, the tax must be paid by the tax to the oilfield service vendor providing the service to the owner/operator since; otherwise, the owner/-operator would be purchasing his own share of the service, that which is not for resale, without paying the tax due. The gross income from oil field services performed in Mississippi is taxable at the regular retail rate of sales tax with the following exceptions:

- ~~1. Compensation received from a contract in excess of \$10,000 to drill, redrill or work over an oil well or a gas well is taxable at the 3 1/2% contractor's rate of tax.~~
- ~~2. No sales tax is due when service is performed for another licensed dealer in the same service.~~

~~206~~⁵ Adequate records must be maintained to substantiate exempt sales deductions from gross income.

~~207~~⁶ (Reserved)

300 Equipment

~~301~~⁰ Equipment purchases or rentals and purchases of supplies are taxable at the regular retail rate of sales or use tax.

~~302~~¹ Manufactured or produced products withdrawn for use or consumption are taxable at the regular retail rate of tax, measured by the cost or value when converted to use. In no instance shall value be less than the selling price of similar products.

| 30~~32~~ (Reserved)